

Item: 4

Orkney and Shetland Valuation Joint Board: 25 March 2021.

Governance Review.

Joint Report by Chief Executive, Orkney Islands Council and Chief Executive, Shetland Islands Council.

1. Purpose of Report

To consider the findings of the review of the governance arrangements for the Orkney and Shetland Valuation Joint Board.

2. Recommendations

The Board is invited to note:

2.1.

That, on 26 November 2020, the Board agreed the scope of the review of governance arrangements to be undertaken by the Improvement Service.

2.2.

That the Improvement Service has undertaken the review and reported the findings, as detailed in the report attached as Appendix 1 to this report.

2.3.

That the review found that, while the majority of members felt there were no major governance issues remaining outstanding, a number of areas were highlighted by members where the Board should focus on improvement.

2.4.

That an action plan, to address the recommendations arising from the independent review of governance, has been developed.

It is recommended:

2.5.

That the action plan, to address the recommendations of the independent review of governance arrangements for the Orkney and Shetland Valuation Joint Board, attached as Appendix 2 to this report, be approved.

3. Background

3.1.

On 26 November 2020, the Board agreed a proposal for the review of governance arrangements to be undertaken by the Improvement Service to address a recommendation contained within the Action Plan arising from the Annual Audit Report on the 2019/20 Audit.

3.2.

The Board agreed that the scope of the review would include:

- Review of current governance framework and associated documentation.
- Benchmarking of good practice with other Valuation Joint Boards.
- Engagement with individual Board Members and Officers of the Orkney and Shetland Valuation Joint Board.
- Facilitated joint session with Board Members and Officers of the Orkney and Shetland Valuation Joint Board.
- Report with recommendations for the Board.
- Facilitation to implement training of Board Members and relevant officers on governing documents and good practice.

4. Review of Governance Arrangements

4.1.

The Improvement Service has undertaken the governance review and provided a report, attached as Appendix 1 to this report.

4.2.

The review focussed upon the perceptions of Board members in relation to the following issues:

- Governance.
- Leadership and relationships.
- Board meetings.
- Resources.
- Performance.

4.3.

Board members were given the opportunity to present their views on these topics during individual interviews with representatives from the Improvement Service. A facilitated joint session with members and officers was subsequently held, on 1 February 2021, to discuss the findings and consider areas for improvement prior to finalisation of the review.

4.4.

The review has found that, while the Deloitte Report highlighted governance as an area for the Board to focus improvement on, many of the issues raised in terms of governance were a reflection of the staffing and recruitment issues facing the Board at that time. A number of new members and officers have since joined the Board which has had a stabilising effect. Some staff and pay issues are still to be resolved, but these lie within the independent pay and grading review and not within the scope of this report.

4.5.

The review found that, while the majority of members felt there were no major governance issues remaining outstanding, a number of areas were highlighted by members where the Board should focus improvement. These are highlighted in the independent report and form the basis of the undernoted recommendations:

- Governance:
 - The VJB should use the opportunity afforded by the transfer of functions between Shetland Council and Orkney Islands Council to review and refresh the Board's Constitution and other relevant documentation pertinent to the functioning of the VJB.
 - The VJB should consider how risk is handled by the Board and look to formalise a framework for monitoring risks and implementing controls and actions to ensure the Board continues to perform its statutory duties.
- Leadership and Relationships:
 - The VJB should hold informal seminars and briefings for members to build knowledge in relevant areas, such as, the Barclay Review.
 - The VJB should undertake training to clarify the roles of both Board members and officers on the VJB.
 - The VJB should take the opportunity raised by the transfer of functions to formalise the support officers provide to the VJB in job descriptions in conjunction with the employing Council.
 - The VJB should consider undertaking more formal induction and developmental training that allows for the Board to consider more general reflections on how it is operating as a Board, what difference it is making, etc, outwith the formal agenda.
- Board Meetings:
 - The VJB should consider a more structured approach to the clerking of meetings to support the effective working of the Board.
 - The VJB should look to streamline and make more accessible how the work of the Board is disseminated to the public to facilitate scrutiny and community engagement.

- Resources:
 - The VJB should look to develop medium and long-term recruitment strategies to improve succession planning in key roles within the VJB.
- Performance:
 - The VJB should look to review performance monitoring in the VJB and look to develop more defined performance targets, outcomes and impact.
 - The VJB should look to develop benchmarking with other VJBs to learn lessons from best practice in other Boards to ensure Best Value.
 - The VJB should consider more developmental work, such as a self-assessment, in order to provide space for thinking around the roles of members; induction; impact and outcomes; performance management, etc.

4.6.

An action plan as attached as Appendix 2 to this report, had been developed to address the finding of the review and its recommendations.

5. Financial Implications

The Improvement Service undertook this work as part of the resourced ongoing Council engagement and therefore there is no cost to the Orkney and Shetland Valuation Joint Board. There may however be a relatively small charge for the training for Board Members.

6. Legal Aspects

There are no legal implications arising directly from this report.

7. Contact Officers

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Review of Governance for the Orkney and Shetland Valuation Joint Board

February 2021



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1. Introduction

Background

Following the Deloitte Report (September 2020) which audited the Valuation Joint Board (VJB) in 2019/20, a number of key messages emerged around financial management, financial sustainability, governance and transparency. In terms of governance, issues were raised around the lack of clarity surrounding roles and responsibilities of Board members and management; and the effectiveness of leadership within the VJB. While the report concluded that these matters do not indicate an underlying issue with regard to the Board's attitude to 'openness and transparency within the VJB', the report noted that the Board '*should undertake training on best practice in this area and refresh its understanding by reference to its own governing documents.*'

To drive such improvements, an Action Plan was developed in the report that identifies recommended improvements that were agreed by the Board. In relation to governance, the following recommended actions were articulated and agreed by the Board. These are:

1. The VJB should engage an independent review of its governance framework and the effectiveness of governance within the organisation;
2. The VJB should undertake training to ensure that the Board and management are clear in their understanding of roles and responsibilities in line with the VJB's own governing documents and good practice.

After contact with the Improvement Service, it was agreed that work would be undertaken with the Board to review governance and consider where practical improvements can be made in line with Best Value aims, that is, '*Achieving Best Value is about ensuring sound governance, good management, public reporting on performance and a focus on improvement*'¹.

The following Report provides a summary of the process and the findings from the work with the Board and makes recommendations, which it is hoped will increase the effectiveness of the governance within the VJB.

¹ *Best Value Toolkit: Governance and Accountability*, Audit Scotland (July 2010)

2. Methodology

Overview of Process

In discussion with officers from the VJB, the agreed approach for the review was to undertake semi-structured interviews with elected members and officers from the VJB. This approach was selected as it provides the opportunity to draw out detailed qualitative responses from an experienced and senior group of interviewees focussed upon the governance of the VJB. By its nature, this is an inclusive process designed to identify where there is consensus in the Board around the key areas for improvement. Consensus around these key governance areas is crucial in order to achieve buy-in from members of the VJB, in order to successfully implement recommendations and actions emerging from this review.

In all, 17 online interviews were held with the breakdown of this by groups as follows:

- 10 elected members;
- 7 officers (including Assessor, Officer for Finance and previous postholder, and Clerk).

The IS were asked to only interview current board members and officials (with exception of finance) as the interviews were to focus on improvement going forwards and not to revisit any issues that had occurred which led to the recommendations in the Deloitte report.

The interviews focussed attention upon 5 themes:

- Governance;
- Leadership and Relationships;
- Board Meetings;
- Resources;
- Performance.

Each section included structured interview questions, with each interview typically lasting between 30 minutes and an hour. The interview also provided the opportunity for a more spontaneous exploration of governance issues that were particularly relevant to interviewees.

The interviews were held in December 2020 and undertaken by the Improvement Service. An overview of the findings was presented in a session to the VJB on February 1st 2021. This session provided the opportunity for an element of sense checking the findings between the review team

and the Board. The consensus from the Board was that the findings were a fair reflection of the key governance areas where recommendations and future improvement work should be focussed. With this consensus in place, it was agreed that a report would be prepared for the VJB with recommendations presented to the Board meeting in March 2021.

3. Summary of Main Findings from Interviews with the VJB

Governance

When those interviewed were asked if they were satisfied that the Board has appropriate structures and processes in place to support shared and effective decision making, the majority of responses were positive. It is important to note here that the context that the VJB is currently operating in, has changed since the publication of the Deloitte Report. In particular, the appointment of new officers in key roles in the VJB, and the transfer of a number of support functions from Shetland Council to Orkney Council being key among these. For instance, the recently appointed Clerk has agreed an arrangement to circulate reports to both constituent Local Authorities for comment before they are finalised. This ensures both partners in the Board structure are recognising the business of the Board and contributing to any risks or considerations about the implications of decisions. As such, many of the responses noted that ‘by and large’ the structure was broadly right, with an equal representation of members and a healthy number of substitute members.

When asked if Board members were happy with current arrangements in place for voting, responses were again positive with members typically indicating they were satisfied that voting is handled properly.

Nevertheless, some notable areas around governance were highlighted by respondents where improvements could be made. For instance, there were comments about the VJB’s constitution, which it was noted was developed in the 1990s and therefore should be reviewed and updated to reflect the current (and future) operating environment. There was a recognition that while such documents should be seen as ‘organic’ and not ‘set in stone’, enough time had passed since the constitution was reviewed that such activity would be timely, given the transfer of functions and the governance review.

Risk mitigation was another area where Board members felt some improvement work could be focussed. In particular, there was support to formalise a framework for monitoring risks and implementing controls and actions to ensure the Board continues to perform its statutory duties.

While the Board discuss risks as and when they emerge, there were those who noted that an articulation of risk mitigation around identified risks was not as robust as it could be.

More generally, it was felt that the transferring of functions between councils will provide an opportunity to refresh some of the documentation and processes around these functions. The transfer of functions from Shetland to Orkney cover a range of important areas including the finance function (it was noted that as both councils use the same financial accounting platform, this should be relatively straightforward) payroll, expenses, accounts payable, etc.

From a governance perspective, refreshing these functions and the associated documentation in addition to a similar refresh around the constitution and approaches to risk would go a considerable way to clarifying the more formalised aspects in the operation of the VJB.

It was also noted that support provided by officers into the VJB should be formalised within job descriptions. While the VJB should review the implications of this and take an informed decision on the merits of doing so, from a governance perspective, formalising officer support would ensure a more sustainable source of support to the Board going forward with clearer lines of accountability.

Leadership and Relationships

In terms of views in relation to leadership and relationships, the majority of Board members noted that they are satisfied that the VJB demonstrates strong and effective leadership. While there was recognition that the VJB had been working in 'difficult circumstances' recently and that staffing issues had consumed much of the Board's time, the general feeling was that these circumstances had been largely overcome and members were looking forward with more positivity. Once the staffing issue was resolved, one member anticipated the operation of the Board to be 'quite smooth' going forward.

There were also a number of supportive comments about the Chair, who is seen as effective in directing the Board and ensures that the leadership role is shared among all the Board members. Relationships between Elected Members is 'good' and the Board is united in what it has to do.

Given the context of the VJB operating during the pandemic, a number of comments noted that the lack of face-to-face meetings had somewhat limited the informal interactions that members would usually expect to happen that are so important in building stronger relationships. Nevertheless, it was anticipated that once some form of normality returns then this informal networking among members of the VJB can return.

While recognising that leadership and relationships in the VJB are strong, members noted some areas for improvement to consider. Firstly, there were positive responses to the notion of informal seminars and briefings for members to build knowledge in relevant areas, such as, a possible seminar on the implications of the Barclay Review. These, it was felt, would allow officers or external speakers to provide meaningful updates for members and opportunities for questions and discussion. Members also highlighted that they would welcome further training that clarified the roles of both Board members and officers on the VJB. Some members also noted that there was scope for more developmental training for the Board, that allowed for general reflections on how they are operating as a Board, what difference they are making, that is outwith the formal agenda.

In addition to such developmental training, there were also comments indicating a desire for induction training for new members to the VJB. This, it was pointed out, was not the basic induction that all new Elected Members receive, but rather a separate induction that clarifies the roles, remits and expectations as a member on the VJB. This point was made by a number of members, who felt that this bespoke induction would be a valuable support given the technical nature of the VJB.

The Improvement Service (IS) have a notebook for Elected Members on Effective Board Membership ²which the VJB is welcome to repurpose as required for its induction of new members.

² https://www.improvementservice.org.uk/_data/assets/pdf_file/0012/8310/emnotebook-effectiveboardmembership.pdf

Board Meetings

When asked about how Board meetings were run, Board members noted that they were satisfied that meetings are structured and productive with a focus on the right issues. Nevertheless, one comment noted that formally agreed roles and responsibilities had not been agreed in the Board other than those of the Chair and Vice-Chair.

A more structured approach, it was argued, in terms of the organising of meetings and reporting to the Board, would be worthwhile. In particular, reports could be issued further in advance and circulated for comment to officers of both councils to enhance the discussion at the Board meeting itself. Resolving some of these practical clerking approaches would support the effective working of the Board.

Whilst Board members highlighted that there was limited public interest in the VJB, nevertheless, some members noted that relevant outputs from the Board should be made more accessible. For instance, some consideration of how the profile of the VJB could be enhanced, such as more information regularly updated on the VJB website to facilitate public scrutiny.

Resources

When Board members were asked how adequate processes were in the VJB for the recruitment of senior officers, the majority of responses made clear that the issues faced around recruitment were not the fault of any of the processes in place. Rather long-running delays and issues in this area were a result of a combination of factors, such as location, the difficulty in attracting suitable applicants, salary and an acknowledgment that within this profession there simply are not that many assessors available. In terms of processes, it was noted that there had in fact been comprehensive HR support and advice available to the Board to try to make the post attractive, with a 'tremendous amount of work' having been carried out in trying to recruit the post. It may be that the independent pay review into salary grading provides solutions to resolve this issue.

Despite the recognition that even with robust processes in place, this does not necessarily mean that issues such as recruitment are necessarily straightforward. There was some discussion by members around what could be done in the medium to long-term to reduce risks and mitigate this type of issue going forward. In particular, a number of members noted that a more proactive

approach to succession planning for key roles would be a worthwhile exercise. For instance, looking to encourage young graduates to see the career opportunities in key roles within the VJB that may, in the medium and long-term, reduce the risk of dependency solely upon the vagaries of the marketplace.

Performance Management

Performance management was arguably the area where Board members felt that there was most scope for improvement in terms of governance for the VJB. Members suggested that further work could usefully be done to improve clarity around the Board's performance targets and outcomes. It was noted that progress in this area had possibly not been as anticipated in the recent period, given the amount of time consumed by the Board in relation to staffing issues.

It was noted that this review has allowed some thinking space for members about other issues beyond staffing, and that developing a more robust approach to performance monitoring was high on the list of areas for the Board to consider. At present, a number of responses noted that the Board currently has an 'ad hoc system to recording progress'. Other members said that they were unaware of what the performance outcomes of the Board were. It was recognised that there were measures in place for the work of the assessor, but what is missing are measures that assess the impact that the VJB is having in terms of outcomes.

It was felt that benchmarking with other VJBs is an area the Board should look at to hopefully provide examples of best practice and support for the VJB in performance measurement and in other areas. As performance monitoring is currently a stand-alone activity, benchmarking would allow the Board to understand how it is comparing with other VJBs to ensure that there is Best Value.

In terms of evaluating how effective the Board is in its own performance, members noted 'that there is probably a bit of work to do on its assessment of its own performance'. Nevertheless, it was noted that there hasn't been much space for this type of activity given the staffing issues faced by the VJB. Going forward, it was suggested, that there may now be scope to consider self-assessment options for the Board. Such a process can be useful in focussing thinking upon areas

for the Board, such as: the roles of members; induction; impact and outcomes; performance management.

4. Conclusion

This review has focussed upon the perceptions of Board members in relation to issues, such as: governance; leadership and relationships; Board meetings; resources; and performance. Board members were given the opportunity to give their views on these topics and suggestions for improvements in these areas have been identified and described in this report.

While the Deloitte Report highlighted governance as an area for the Board to focus improvement thinking upon, the findings of this report conclude that many of the issues raised in terms of governance were a reflection of the staffing and recruitment issues facing the VJB at the time. While some of these issues remain to be resolved, the overwhelming view of members is that a 'corner has been turned' with a number of new members and officers joining the Board which has had a stabilising effect. As noted, some staff and pay issues are still to be resolved, but these lie in the purview of the independent pay and grading review and not within the scope of this report.

Nevertheless, while the majority of members felt that there were no major governance issues remaining outstanding, certainly members highlighted a number of areas that the Board could now focus upon going forward. These have been highlighted in the report and form the basis of the recommendations below.

5. Recommendations

- **Governance**

1. The VJB should use the opportunity afforded by the transfer of functions between Shetland Council and Orkney Islands Council to review and refresh the Board's Constitution and other relevant documentation pertinent to the functioning of the VJB.
2. The VJB should consider how risk is handled by the Board and look to formalise a framework for monitoring risks and implementing controls and actions to ensure the Board continues to perform its statutory duties.

- **Leadership and Relationships**

1. The VJB should hold informal seminars and briefings for members to build knowledge in relevant areas, such as, the Barclay Review.
2. The VJB should undertake training to clarify the roles of both Board members and officers on the VJB.
3. The VJB should take the opportunity raised by the transfer of functions to formalise the support officers provide to the VJB in job descriptions in conjunction with the employing Council.
4. The VJB should consider undertaking more formal induction and developmental training that allows for the Board to consider more general reflections on how it is operating as a Board, what difference it is making, etc, outwith the formal agenda.

- **Board Meetings**

1. The VJB should consider a more structured approach to the clerking of meetings to support the effective working of the Board.
2. The VJB should look to streamline and make more accessible how the work of the Board is disseminated to the public to facilitate scrutiny and community engagement.

- **Resources**

1. The VJB should look to develop medium and long-term recruitment strategies to improve succession planning in key roles within the VJB.

- **Performance**

1. The VJB should look to review performance monitoring in the VJB and look to develop more defined performance targets, outcomes and impact.
2. The VJB should look to develop benchmarking with other VJBs to learn lessons from best practice in other Boards to ensure Best Value.
3. The VJB should consider more developmental work, such as a self-assessment, in order to provide space for thinking around the roles of members; induction; impact and outcomes; performance management, etc.

**Orkney and Shetland Valuation Joint Board
Action Plan - Recommendations for Improvement**

Appendix 2

	Area	Recommendation	Management Response	Lead	Target Date RAG Status	Progress / Update
1	Governance	The VJB should use the opportunity afforded by the transfer of functions between Shetland Council and Orkney Islands Council to review and refresh the Board's Constitution and other relevant documentation pertinent to the functioning of the VJB.	The Board's Constitution and other relevant documentation pertinent to the functioning of the VJB will be reviewed.	Clerk to the Board	30/09/2021	
2	Governance	The VJB should consider how risk is handled by the Board and look to formalise a framework for monitoring risks and implementing controls and actions to ensure the Board continues to perform its statutory duties.	The Board will consider and formalise a framework for monitoring risks and implementing controls and actions.	Clerk to the Board	30/09/2021	
3	Leadership and Relationships	The VJB should hold informal seminars and briefings for members to build knowledge in relevant areas, such as, the Barclay Review.	A programme of informal seminars will be proposed and agreed by the Board following summer recess each year.	Clerk to the Board	31/10/2021	
4	Leadership and Relationships	The VJB should undertake training to clarify the roles of both Board members and officers on the VJB.	Training for Board members will be arranged to clarify the roles of both Board members and officers on the VJB.	Clerk to the Board	30/09/2021	
5	Leadership and Relationships	The VJB should take the opportunity raised by the transfer of functions to formalise the support officers provide to the VJB in job descriptions in conjunction with the employing Council.	Employing Councils will formalise the support provided by officers to the VJB in job descriptions.	Chief Executive of OIC/ Chief Executive of SIC.	30/09/2021	
6	Leadership and Relationships	The VJB should consider undertaking more formal induction and developmental training that allows for the Board to consider more general reflections on how it is operating as a Board, what difference it is making, etc, outwith the formal agenda.	A programme for the formal Induction and developmental training will be developed for members of the VJB.	Clerk to the Board	31/12/2021	
7	Board Meetings	The VJB should consider a more structured approach to the clerking of meetings to support the effective working of the Board.	A more structured approach to the clerking of board meetings will be implemented.	Clerk to the Board	30/09/2021	
8	Board Meetings	The VJB should look to streamline and make more accessible how the work of the Board is disseminated to the public to facilitate scrutiny and community engagement.	Options to promote and make accessible the work of the Board will be explored and considered.	Assessor /Clerk to the Board	31/12/2021	

	Area	Recommendation	Management Response	Lead	Target Date RAG Status	Progress / Update
9	Resources	The VJB should look to develop medium and long-term recruitment strategies to improve succession planning in key roles within the VJB.	Medium and long-term recruitment strategies to improve succession planning in key roles within the VJB will be developed for consideration.	Assessor	31/12/2021	
10	Performance	The VJB should look to review performance monitoring in the VJB and look to develop more defined performance targets, outcomes and impact.	Performance monitoring arrangements will be reviewed.	Assessor / Clerk to the Board	31/12/2021	
11	Performance	The VJB should look to develop benchmarking with other VJBs to learn lessons from best practice in other Boards to ensure Best Value.	Benchmarking with other VJBs will be undertaken and the findings considered to learn from best practice.	Assessor / Clerk to the Board	30/09/2021	
12	Performance	The VJB should consider more developmental work, such as a self-assessment, in order to provide space for thinking around the roles of members; induction; impact and outcomes; performance management, etc.	Developmental sessions to consider these areas will be undertaken and used to inform induction, training and performance management arrangements.	Assessor /Clerk to the Board	31/12/2021	